

SAF # 008/2023_ENG

November 07, 2023

Subject: Management Discussion and Analysis for the nine-months period ended September 30, 2023 and clarification of the operating results changed over 20% comparing to the same period of the previous year

Attention: Directors and Managers
Stock Exchange of Thailand

S.A.F. Special Steel Public Company Limited (the "Company") would like to clarify the operating results for the nine-months period ended September 30, 2023 which changed over 20% comparing to the same period of the previous year per following details:

Statements of Comprehensive Income

Statements of Comprehensive Income	For the 9-Months Period Ended on September 30,		Change	
	2023	2022	Increase / (Decrease)	percent
	Million baht	Million baht		
Revenues				
Revenue from Sales and Services	129.75	168.86	(39.11)	(23.16)
Other Income	0.77	0.51	0.26	50.98
Total Revenues	130.52	169.37	(38.85)	(22.94)
Expenses				
Cost of Sales and Services	100.25	121.86	(21.61)	(17.73)
Distribution Costs	4.71	4.42	0.29	6.56
Administrative Expenses	21.85	22.81	(0.96)	(4.21)
Loss on Exchange Rates	0.00	3.76	(3.76)	(100.00)
Total Expenses	126.81	152.85	(26.04)	(17.04)
Profit from Operating Activities	3.71	16.52	(12.81)	(77.54)
Financial Costs	3.67	4.01	(0.34)	(8.48)
Profit Before Income Tax Expense	0.04	12.51	(12.47)	(99.68)
Tax Expense	(0.06)	2.50	(2.56)	(102.40)
Profit for the Year	0.10	10.01	(9.91)	(99.00)

Table Showing Revenue from Sales and Services of the Company's Products Classified by Type

	For the 9-Months Period Ended on September 30,			
	2023		2022	
	Million baht	percent	Million baht	percent
Revenue from Sales:				
1) Revenue from Sales of Special Steel				
- For Mold & Dies	91.96	70.46	118.69	70.08
- For Engineering Machinery	27.36	20.96	33.99	20.07
Total Revenue from Sales of Special Steel	119.32	91.42	152.68	90.15
2) Others Sales Revenue ^{/1}	5.78	4.43	8.83	5.21
Total Revenue from Sales	125.10	95.85	161.51	95.36
Revenue from Services :				
3) Revenue from Vacuum Hardening Services	4.65	3.56	7.35	4.34
Total Revenue from Sales and Services	129.75	99.41	168.86	99.70
Other Income ^{/2}	0.77	0.59	0.51	0.30
Total Revenues	130.53	100.00	169.37	100.00

Remark

^{/1} Other sales revenue, e.g., sales revenue from bandsaw blades, band sawing machines, finished molds & dies, other equipment parts, etc.

^{/2} Other income consists of gain from exchange rates, gain from disposal of assets, interest income and income from the sale of scrap, etc.

Revenue from Sales

Revenue from Sales consists of sales revenue from special steel and revenue from other sales. The details are as follows:

1) Revenue from Sales of Special Steel

For the nine-months period ended September 30, 2023, the Company's primary income from the sale of special steel was 119.32 million baht, 91.42 percent of the Company's total revenue, which could be separated into two main categories: 1) Revenue from sales of special steel for molds & dies, which was equal to 70.46 percent of total revenue and 2) Revenue from sales of special steel for engineering machinery, which was equal to 20.96 percent of total revenue.

1.1 Revenue from Sales of Special Steel for Molds & Dies

For the nine-months period ended September 30, 2023, the Company's revenue from sales of special steel for molds & dies was 91.96 million baht, decrease for 26.73 million baht or 22.52 percent from the same period of last year due to the decreases in manufacturing of mainly automotive parts and construction

materials industries, but slight recovery of these industries can be observed in the 3rd quarter comparing to the 2nd quarter.

1.2 Revenue from Sales of Special Steel for Engineering Machinery

For the nine-months period ended September 30, 2023, the Company's revenue from sales of special steel for engineering machinery was 27.36 million baht, decrease for 6.63 million baht or 19.51 percent from the same period of last year due to the decrease in orders for machinery maintenance as result of operating capacity in industrial manufacturing still in the low level.

2) Others Sales Revenue

Other sales revenue consists of sales of band saw blades, the finished molds & dies, and industrial equipment parts. For the nine-months period ended September 30, 2023, the Company's revenue from other sales was 5.78 million baht, decrease for 3.05 million baht or 34.54 percent from the same period of last year, due to decrease in sales of band saw blades of 1.11 million baht and especially molds & dies of 1.78 million baht as the result of the decreasing orders from customers in Aluminium industry.

3) Revenue from Vacuum Hardening Services

For the nine-months period ended September 30, 2023, the Company's revenue from vacuum hardening services was 4.65 million baht, decrease of 2.70 million baht or 36.73 percent from the same period of last year, due to decreasing in selling of special steel for molds & dies.

Other Income

The Company's other income consists of gain from exchange rates, gain from disposal of assets, interest income and income from the sale of scrap etc. For the nine-months period ended September 30, 2023, the Company's other income was 0.77 million baht, increase of 0.26 million baht or 50.98 percent from the same period of last year.

Cost of Sales and Services and Gross Profit Margin

	For the 9-Month Period Ended on September 30,	
	2023	2022
Revenue from Sales and Services (Million baht)	129.75	168.86
Cost of Sales and Services (Million baht)	100.25	121.86
Gross Profit Margin (Million baht)	29.50	47.00
Cost of Sales and Services (%)	77.26	72.17
Gross Profit Margin (%)	22.74	27.83

For the nine-months period ended September 30, 2023, the Company's cost of sales and services was 100.25 million baht, 77.26 percent of Revenue from Sales and Services, decrease for 21.61 million baht from the same period of last year. While gross profit margin was 29.50 million baht, 22.74 percent of Revenue from Sales and Services, decrease of 17.50 million baht from the same period of last year, because of increases in both cost of raw materials and cost of sales and services per unit which effected from decreased in revenue, resulting in decrease of 5.09 percent in gross profit margin.

Distribution Cost

For the nine-months period ended September 30, 2023, the Company's distribution cost was 4.71 million baht, increase of 0.29 million baht or 6.51 percent from the same period of last year, due to increasing transportation expenses as well as sales management cost.

Administrative Expenses

For the nine-months period ended September 30, 2023, the Company's administrative expenses was 21.85 million baht, decrease of 0.96 million baht or 4.21 percent from the same period of last year, due to the Company's cost control measures.

Financial Cost

For the nine-months period ended September 30, 2023, the Company's financial costs was 3.67 million baht, decrease of 0.33 million baht or 8.34 percent from the same period of last year, due to the overall decrease of Company's overdrafts and long-term loans from financial institutions.

Net Profit

For the nine-months period ended September 30, 2023, the Company's net profit was 0.10 million baht, decrease of 9.91 million baht or 99.00 percent from the same period of last year, mainly because of the decrease

of revenue from sales and services resulted from industry slowdown, also increasing cost of raw materials as well as costs and expenses per unit increased.

Statements of Financial Position

	Million baht			
	30 September 2023	31 December 2022	Increase / (Decrease)	
	Million baht	Million baht	Million baht	percent
Assets	420.23	310.47	109.76	35.35%
Liabilities	142.60	175.57	(32.97)	(18.78%)
Shareholders' Equity	277.63	134.90	142.73	105.80%

Total Assets

The main assets of the Company consist of 1) Cash and cash equivalents 2) Inventories 3) Trade and Other Current Receivables 4) Property, Plant and Equipment. As of September 30, 2023 total assets were 420.23 million baht, increase of 109.76 million baht or 35.35 percent compared to the end of year 2022, mainly because of 1) Cash and cash equivalents increase 28.63 million baht, 2) increase in inventories of 20.31 million baht and 3) the increase of property, plant, and equipment due to 59.76 million baht of the land for the new warehouse.

On April 21, 2023 the Company received the Permit for building construction, modification or demolition (Form Aor.1) and the ownership of the land was transferred on May 11, 2023.

As of September 30, 2023, the Company has paid the partial advance payments for purchasing machines and solar roof of total 14.86 million baht under the total purchasing contracts of 24.46 million baht. Moreover, the Company also has paid the partial advance payments of 15.87 million baht under the total new warehouse construction contract of 34.65 million baht.

Total Liabilities

The main liabilities of the Company consist of 1) Bank overdrafts and short-term loans from financial institutions 2) Trade payables and other current payables 3) Long-term loans from financial institutions and lease liabilities. The Company's total liabilities as of September 30, 2023 were 142.60 million baht, decrease of 32.97 million baht or 18.78 percent compared to the end of year 2022, due to decrease in overall bank overdrafts and short-term loans from financial institutions of 42.24 million baht.

Shareholders' Equity

The shareholders' equity of the Company as of September 30, 2023 was 277.63 million baht, increase of 142.73 million baht compared to the end of year 2022, resulting from the Initial Public Offering of 154.40 million baht, including total profit for the period of 0.10 million baht. Meanwhile, the Company has the direct expenses related to the Initial Public Offering in the amount of 1.29 million baht (net of income tax), shown as a deduction from the premium on ordinary share received from shareholders. As a result, the Company has the premium on ordinary shares amounting to 113.11 million baht shown as a separate item under "shareholders' equity".

According to the Annual General Meeting of shareholders of the year 2023, held on April 24, 2023, the shareholders had resolution to approve the payment of dividends from retained earnings and net profit from the operations for the year 2022 at the rate of 0.035 Baht per share to the Company's shareholders in the amount of 10,499,881.35 Baht, including the appropriation of profit as a legal reserve in the amount of 500,500 Baht. The dividends for the shareholders were paid in cash on May 23, 2023.

Please kindly be informed accordingly.

Yours sincerely,

Pisit Ariyadejwanich

Chief Executive Officer
S.A.F. Special Steel Public Company Limited